A8945 - 13F 11/87

Number 31 in a Series
1987

Financing Higher Education

A Service of the Southern Regional Education Board
592 Tenth Street, N.W. — Atlanta, Georgia 30318-5790

TUITION AND FEES IN THE SREB STATES: TRENDS AND ISSUES

Increases Expected

In most SREB states, in-state students at public four-year colleges and universities will be paying 5 to 10 percent higher tuition and fees for 1987-88 (Table 1). This will add about $100 to student charges. Tuition and fee increases will be as much as 24 percent at some institutions, but in all states the average increase is expected to be less than $200.

TABLE 1

Estimated Percent Increase in Resident Tuition and Fees,
Public Four-Year Institutions,
SREB States, 1986-87 to 1987-88

	Undergraduate	Graduate
Alabama	------increases likely-------	
Arkansas	20%	20%
Florida	10.5% (a)	12.1%
Georgia	6% average	-50% (b)
Kentucky	6.5%	6.6%
Louisiana	------increases unlikely-------	
Maryland	7% average	7% average
Mississippi	5% average	5% average
North Carolina	5% (c)	5% (c)
Oklahoma	24% average	29% average
South Carolina	13% average	NA (d)
Tennessee	7%	7%
Texas	none	none
Virginia	8.6% average	8% average
West Virginia	7.5 % average	7% average

(a) Lower division only--freshmen and sophomores.
(b) Reduction for teaching and research assistants only.
(c) Tuition only.
(d) Determined on per-credit hour basis at institutional level.
SOURCE: SREB survey of state higher education agencies, May-June 1987.

Current Rates and Trends

Annual tuition and fees for in-state undergraduate students at selected public universities in the SREB states range from $812 in the University System of Florida to $2,540 at the College of William and Mary in Virginia (Table 2). From 1985-86 to 1986-87, tuition and fees increased an average of 14.5 percent for resident undergraduate students at these public universities, all of which also offer master's and doctoral degrees. For non-resident students, tuition and fees were three times greater, but increased less--11.5 percent.

For purposes of accurate comparison, in the SREB-State Data Exchange public colleges and universities are classified as doctoral, other four-year,

TABLE 2

Undergraduate Tuition and Required Fees,
Selected Public Universities,
SREB States, 1985-86 and 1986-87

	1986-87		1985-86		Percent Change	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
College of William and Mary (Virginia)	$2,540	$6,772	$2,290	$6,168	10.9%	9.8%
University of Virginia	2,238	5,468	2,036	4,886	9.9	11.9
Virginia Polytechnic and State University	2,187	4,407	2,019	4,029	8.3	9.4
Virginia Commonwealth University	2,110	4,730	1,798	4,088	17.4	15.7
University of South Carolina at Columbia	2,028	4,148	1,608	3,288	26.1	26.2
Clemson University (South Carolina)	1,922	4,478	1,682	3,910	14.3	14.5
University of Mississippi	1,727	2,909	1,517	2,699	13.8	7.8
Louisiana State University-Baton Rogue	1,724	4,124	1,274	3,274	35.3	26.0
Mississippi State University	1,700	2,882	1,492	2,674	13.9	7.8
Georgia Institute of Technology	1,695	5,064	1,587	5,007	6.8	1.1
University of Georgia	1,662	4,422	1,554	4,380	6.9	1.0
University of Maryland-College Park	1,601	4,477	1,496	4,202	7.0	6.5
University of Southern Mississippi	1,600	2,782	1,401	2,583	14.2	7.7
Georgia State University	1,419	4,749	1,320	4,440	7.5	7.0
University of Alabama	1,379	2,993	1,254	2,690	10.0	11.3
University of Louisvillle (Kentucky)	1,340	3,820	1,244	3,534	7.7	8.1
University of Kentucky	1,332	3,812	1,228	3,518	8.5	8.4
University of Tennessee, Knoxville	1,323	3,756	1,125	3,279	17.6	14.5
West Virginia University	1,260	3,240	1,160	3,140	8.6	3.2
Auburn University (Alabama)	1,220	3,090	980	1,772	24.5	74.4
Memphis State University (Tennessee)	1,220	3,650	1,020	3,168	19.6	15.2
University of Arkansas-Fayetteville	1,030	2,542	930	2,190	10.8	16.1
University of Houston-University Park (Texas)	930	4,050	720	3,960	29.2	2.3
University of North Carolina at Greensboro	922	4,262	888	3,808	3.8	11.9
University of Oklahoma	921	2,727	858	2,484	7.3	9.8
North Texas State University	900	4,000	720	3,960	25.0	1.0
Oklahoma State University	894	2,700	828	2,454	8.0	10.0
University of Texas at Dallas	885	4,326	720	3,960	22.9	9.2
East Texas State University	885	4,007	720	3,960	22.9	1.2
University of Texas at Austin	885	4,003	720	3,960	22.9	1.1
Texas Womens' University	882	4,002	720	3,960	22.5	1.1
Texas A&M University	870	3,990	720	3,960	20.8	0.8
Texas Technological University	840	3,950	720	3,960	16.7	-0.3
North Carolina State University	839	4,179	810	3,730	3.6	12.0
University of North Carolina at Chapel Hill	820	4,160	794	3,714	3.3	12.0
University of South Florida	812	3,142	775	2,725	4.7	15.3
Florida State University	812	3,142	775	2,725	4.7	15.3
University of Florida	812	3,142	775	2,725	4.7	15.3
Average Percent Change					14.5%	11.5%

SOURCE: SREB-State Data Exchange, 1986-87.

TABLE 3

Annual Undergraduate Tuition and Required Fees,
Public Institutions,
United States and SREB States, 1986-87

	Doctoral Institutions						Other Four-Year Institutions						Two-Year Institutions	
	I		II		III		Master's I		Master's II		Baccalaureate			
	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res	Res.	Non-Res.
U.S. Averages	<----------		$1,592	$4,291	---------->		<----------		$1,288	$3,176	---------->		$736	$2,138
Median, SREB States	$1,323	$4,000	$1,320	$3,914	$1,212	$3,310	$882	$2,900	$1,117	$3,013	$900	$2,520	$600	$1,620
Alabama			1,300	3,042	1,491	2,790	965	1,611	1,080	1,629	900	1,800	600	1,050
Arkansas	1,030	2,542					872	2,072	912	1,782	932	1,695	528	990
Florida	812	3,142	812	3,142	812	3,142	812	3,142	812	3,142			593	1,232
Georgia	1,662	4,422	1,557	4,907					1,278	3,360			842	2,333
Kentucky	1,332	3,812	1,340	3,820			1,020	2,900	1,052	2,932			540	1,620
Louisiana	1,724	4,124			1,224	2,554			1,228	2,646			694	2,096
Maryland	1,601	4,477			1,604	3,810			1,592	3,003	2,050	3,350	900	3,000
Mississippi			1,700	2,882	1,411	2,593			1,500	2,682			600	1,200
North Carolina	830	4,170	922	4,262	778	4,026	819	4,067	780	4,028	770	3,624	217	1,531
Oklahoma	908	2,714							655	1,827	680	1,838	510	1,440
South Carolina	2,028	4,148	1,922	4,478	1,200	2,400			1,748	3,022	1,400	2,940	1,200	2,570
Tennessee	1,323	3,756	1,220	3,650	1,064	3,494			1,154	3,586			636	3,066
Texas	885	4,000	885	4,007	868	3,988	882	4,002	884	3,983	844	3,964	358	1,033
Virginia	2,213	4,938	2,325	5,751	1,833	3,477			1,851	3,411	1,587	2,520	765	3,645
West Virginia	1,260	3,240					1,042	2,772			898	2,408	600	2,020

NOTES: In Tables 3 and 4, the "Median, SREB States" is the median of the state amounts for each respective category of institutions. The amount shown for each state is the median of each state's institutions. In Florida, the amounts shown represent statewide minimum tuition and mandatory fees and do not reflect additional mandatory fees added by individual institutions. The U.S. averages are derived from the state of Washington's Higher Education Coordinating Board data, which use different definitions of institutional categories. The SREB-state data for two-year institutions represents the predominate type of two-year college offering college-parallel programs in each respective state.

SOURCES: SREB-State Data Exchange, 1986-87; and Higher Education Coordinating Board, State of Washington, Tuition and Fee Rates--A National Comparison (Olympia, WA: 1986-87).

or two-year institutions according to the types and numbers of degrees they award. About 84 percent of all college students within the region are enrolled in public colleges and universities. (Complete information on the SREB-State Data Exchange classification system is available upon request.)

In 1986-87, tuition and fees for resident undergraduate students at public doctoral universities were roughly $1,320. This compares to $900 at other four-year colleges and $600 at two-year colleges (Table 3). Resident graduate students were charged about 10 percent more than undergraduate students.

Medical school tuition and fees, the most expensive of all the professional programs, ranged from $1,427 a year in North Carolina to $6,000 in Mississippi. The regional median tuition and fees for residents enrolled in professional programs were: $1,822 for law, $2,077 for optometry, $2,199 for veterinary medicine, $3,263 for dentistry, and $3,700 for medicine (Table 4).

TABLE 4

Annual Professional Program Tuition and Required Fees,
Public Institutions,
SREB States, 1986-87

	Law		Medicine		Dentistry		Optometry		Vet. Medicine	
	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res.
Median, SREB States	$1,822	$4,226	$3,700	$9,937	$3,263	$7,313	$2,077	$5,406	$2,199	$5,162
Alabama	1,897	3,511	4,017	12,462	3,158	4,358	2,558	6,956	1,556	3,945
Arkansas	1,335	2,851	4,200	8,400						
Florida	1,199	3,921	3,355	8,466	3,355	8,466			3,355	8,466
Georgia	2,634	7,512	3,486	10,111	3,486	10,111			2,172	NA
Kentucky	1,822	5,792	4,016	11,736	3,326	10,546				
Louisiana	3,000	6,600	3,700	10,300	3,200	7,800			2,200	9,450
Maryland	3,287	6,113	5,820	11,544	5,030	11,188				
Mississippi	2,027	3,209	6,000	12,000	4,000	10,000			2,199	4,199
North Carolina	828	4,122	1,427	5,071	1,665	5,309			1,429	5,073
Oklahoma	944	2,876	2,742	6,401	2,716	6,689	1,595	3,856		
South Carolina	2,228	4,448	3,450	6,900	2,300	4,600				
Tennessee	1,795	4,226	5,428	8,575	3,678	6,825			2,589	5,022
Texas	1,524	4,927	2,660	9,937	1,875	6,675			1,650	5,250
Virginia	2,938	7,170	5,641	11,226	5,112	9,912			4,662	19,662
West Virginia	1,560	3,680	2,791	5,651	2,190	4,890				

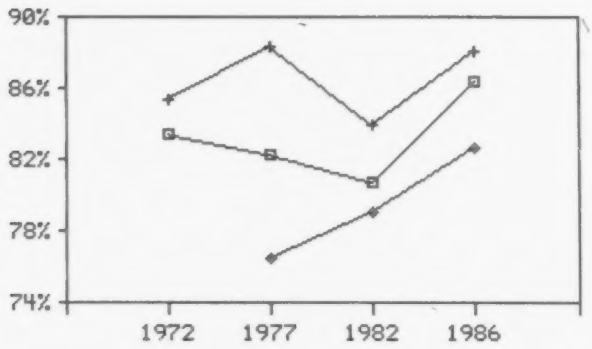
NOTES: In Virginia, non-resident veterinary medicine tuition and fees include a regional capitation fee of $15,000.

SOURCE: SREB-State Data Exchange, 1986-87.

Tuition and fees in the SREB states remain below national averages. Undergraduate resident tuition and fees at public four-year colleges come closest to national averages–88 percent (Figure 1). Since 1982-83, tuition and fees in the SREB states have moved closer to national averages. This was not true for the preceding five years. (Resident graduate tuition and fee levels in the SREB states are roughly 82 percent of the national average.)

Figure 1

Resident Undergraduate Tuition and Fees
as a Percent of U. S. Average,
Public Institutions, SREB States,
1972-1986



Universities Other Four-year colleges Two-year Colleges

SOURCE: Higher Education Coordinating Board, State of Washington, Tuition and Fee Rates–A National Comparison.

College Costs and Higher Education Financing

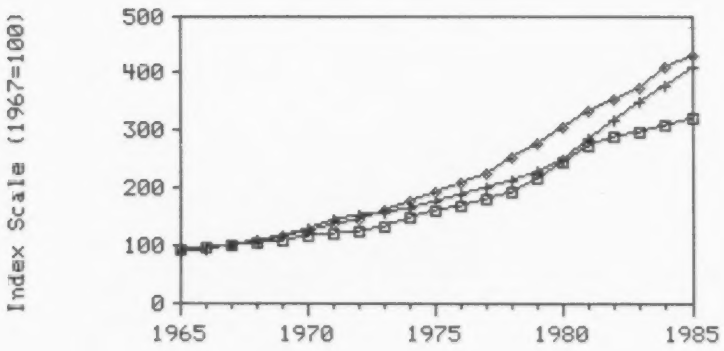
Two principles typically guide discussions of setting tuition levels and establishing tuition policies. First, both the society at large and participating individuals benefit from higher education and should support it financially . Usually the question asked is: What share of the cost of higher education should be borne by the provider (the state) and what share should be borne by the consumer (the student)?

Second, decisions about the fair share of costs to be paid should take into account the ability to pay. Traditionally, this principle has been cited to insure that a broad range of students have access to higher education. But in recent times, as some states have experienced serious revenue shortfalls, the principle has also been used as a rationale for increasing tuition and tuition revenues.

Tuition as a Cost to the Student. More and more attention is being paid to the comparison of increases in tuition and fees to overall increases in consumer prices. In recent years, tuition and fee increases have been much greater than inflationary increases in consumer prices. Since 1965, tuition and fee increases at public universities have outpaced inflation in 17 of the 21 years for which data are available (Figure 2).

Figure 2

Comparison of Trends in Tuition and Fees
in Public Universities, Consumer Price Index, and
Per Capita Disposable Personal Income,*
United States,
1965 to 1985



* After tax income

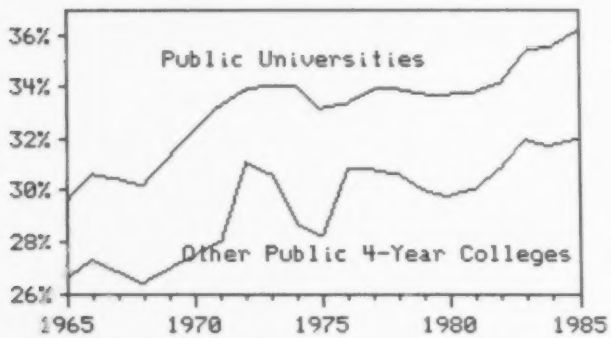
□ Consumer Price Index + Tuition and Fees ◇ Per Capita Disposable Personal Income

SOURCES: U. S. Bureau of Labor Statistics, Monthly Labor Review; Center for Education Statistics, Digest of Education Statistics; and U. S. Bureau of Economic Analysis, Survey of Current Business and unpublished tabulations.

Tuition and fees paid by students are only a part--the smaller part--of the total cost of attending college. Room and board charges alone are often twice tuition and fee costs. There are, of course, other expenses for books and transportation. Tuition and fees at public universities represent about one-third of the cost of attending college, which is somewhat more than was the case 20 years ago (Figure 3).

Figure 3

Tuition and Fees as a Percent of Cost of College Attendance,*
United States,
1965 to 1985



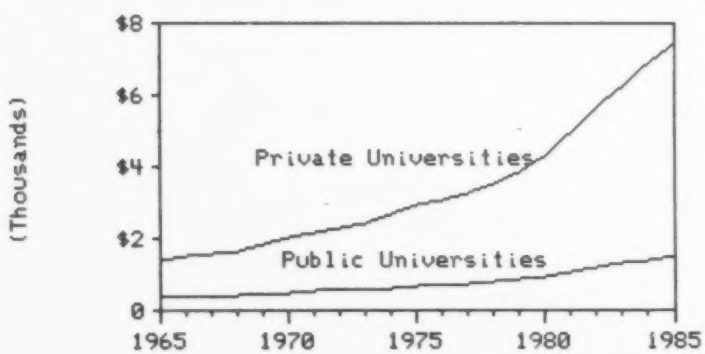
* Consists of tuition and fees, room, and board.

SOURCE: Center for Education Statistics, Digest of Education Statistics.

Although 77 percent of college students nationwide and 84 percent in the SREB states attend public higher education institutions, nearly 3 million students nationally and over a half million in the SREB states attend private colleges and universities. The gap between the tuition and fees charged by public and private universities has grown steadily over the past 20 years. Then, private universities charged roughly four times more; today their charges are five times higher than at public universities (Figure 4).

Figure 4

Tuition and Fees in Public and Private Universities,
United States,
1965 to 1985



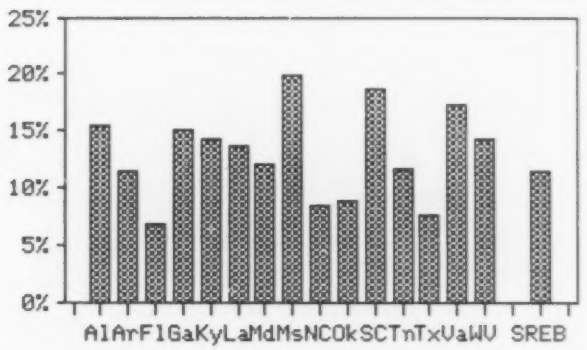
SOURCE: Center for Education Statistics, Digest of Education Statistics.

Over the same period of time in which tuition and fee increases outpaced inflation, the comparison made in Figure 2 shows that students' ability to pay, as measured by per capita disposable personal income (after tax income), has more than kept pace.* It took virtually the same percentage (13 percent) of per capita disposable personal income to pay tuition and fees at public institutions in 1985 as it did in 1965.

In the SREB states, the amount of disposable income required to pay tuition and fees at public doctoral institutions is 12 percent--ranging from 7 percent in Florida to 20 percent in Mississippi (Figure 5).

Figure 5

Tuition and Fees as a Percent of
Per Capita Disposable Personal Income,**
SREB States,
1965 to 1985



** After tax income.

SOURCES: SREB-State Data Exchange; and U. S. Bureau of Economic Analysis, Survey of Current Business.

Over the last 20 years, large sums of money have been made available through student financial aid programs to help students defray the cost of attending college. By 1985, nearly $2,000 was awarded for every full-time-equivalent (FTE) student in the country (Figure 6).

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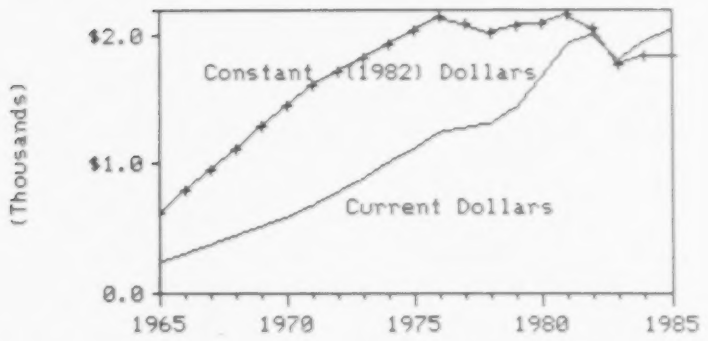
*Measuring students' ability to pay by median family income yields very similar conclusions, although median family income has not exceeded inflation to the extent that per capita disposable personal income has. Authorities today believe that per capita disposable income is a better measure of ability to pay because, among other reasons, it takes into account single individuals (Hauptman and Hartle, 1987).

Figure 6

Total Student Aid Per Full-Time-Equivalent Student,
Public and Private Colleges,
United States,
1965 to 1985



SOURCE: Washington Office of the College Board, Trends in Student Aid.

The complex array of student financial aid programs may not distribute these funds in the most equitable or appropriate ways, but there is no doubt that student aid programs have significantly reduced the out-of-pocket college costs paid by many students and their families.

Given these facts, why is there such a growing public outcry at rising tuition and fee levels? Some say that inflation so eroded the value of family savings over the last 15 to 20 years that paying for college costs today is more of a burden on current income levels. However, a modest investment savings program--a-dollar-a-day--begun in 1965 would have yielded enough funds by 1980 to pay for four years of education in a public university (Table 5).

Even though evidence suggests that the ability to pay for higher education has kept up with rising costs, the growing concern about rising college costs may reflect that the bite tuition and fee expenses take out of a family's resources was more accepted 20 years ago. Or, perhaps there has not been sufficient time for people to adjust to the psychological shock of rising prices--a higher education equivalent of the auto industry "sticker shock." For example, it only takes a 1 percent rise in median family income to cover a 20 percent increase in college tuition and fees. But people rarely think in those terms. They tend to find it easier to recognize the threat of rising prices than to acknowledge the likelihood that income will increase sufficiently to meet the costs.

TABLE 5

A "Dollar-A-Day" Savings Plan To
Pay for the Expenses of Attending a Public University for Four Years

	1965	1970	1975	1980
U.S. Average Total Cost* to Attend Four Years at a Public University	$4,204	$5,448	$7,040	$9,948
Annual Savings	$365	$365	$365	
Prevailing Interest Rate	4.45%	7.38%	7.89%	
Beginning of Year Balances	$365	$2,448	$5,610	$10,336
Percent of Cost Accumulated	8.7%	44.9%	79.7%	103.9%

* Total cost consists of tuition and mandatory fees plus room and board.

NOTE: This plan is equivalent to a savings plan based on setting aside one-fourth of one year's cost of attendance each year.

SOURCES: Center for Education Statistics, Digest of Education Statistics; and Federal Reserve Bank of Atlanta, unpublished data.

Another factor seems to be a change over the past 20 years in the willingness of individuals and families in the United States to save money for future needs. The United States' saving rate is one of the lowest of industrialized nations.

Furthermore, unlike most items with increasing prices (housing, health care, transportation, etc.), public higher education prices charged to students may be influenced by political decisions. Tuition can rise sharply or remain stable based on a decision by a higher education board, governor, or state legislature. Tuition decisions may not systematically take into account the actual cost of educational programs or ability to pay.

Different groups of potential students are affected differently by rising college prices. For example, median income for white families is almost twice the median income for black families. College cost increases will have different impacts on these two groups. A recent major review of 25 reports studying the impact on students of changing prices concludes that cost increases to students do tend to reduce enrollments, especially for low-income (often minority) students. In addition, it was found that students react more to price increases than to increases in student aid intended to offset higher costs (Leslie and Brinkman, 1987).

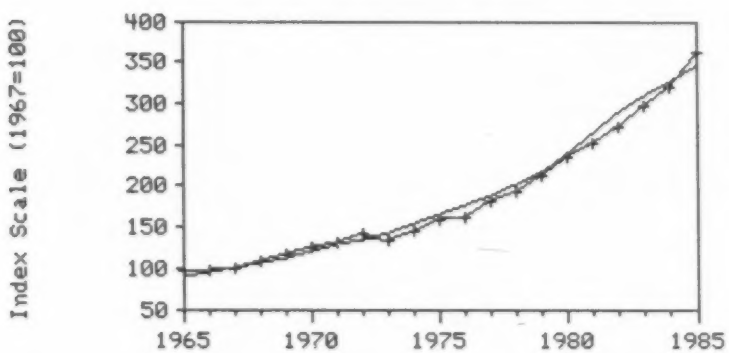
The Cost of Providing Educational Services. Higher education institutions are themselves consumers. They must purchase goods and services to provide educational programs. The goods and services typically consumed by higher education institutions, of course, differ from those typically consumed by families and students. The Higher Education Price Index (HEPI) measures changes in the prices of items purchased by higher education in a manner comparable to the way the Consumer Price Index (CPI) measures changes in the items purchased by personal consumers. In 14 of the 21 most recent years for which data are available, the HEPI has risen more than the CPI.

Unlike that of personal consumers, higher education's income (revenues) has not kept pace with inflation. From 1973 to 1984, revenue increases per full-time-equivalent (FTE) student were less than the HEPI increases. In 1985, higher education revenues per FTE student increased more than the HEPI for the first time since 1972 (Figure 7).

Tuition as a Source of Higher Education Revenue. Has the gap between per FTE student revenue and operating costs caused higher education to lean unfairly on tuition and fees as a source of revenue?

Figure 7

Trends in Current Fund Revenues
Per Full-Time-Equivalent Student in Public Institutions
and Higher Education Price Index,
United States,
1965 to 1985



— Higher Education Price Index + Current Fund Revenues Per FTE Student

SOURCES: Center for Education Statistics, Financial Statistics of Institutions of Higher Education and unpublished tabulations; and Research Associates of Washington, Higher Education Prices and Price Indexes.

Three sources of operating revenue account for over $7 of every $10 public higher education institutions receive. States provide the most funds, nearly 45 percent; tuition and fees generate almost 15 percent; and the federal government provides about 13 percent. State funds account for the same proportion of total operating funds that they did 20 years ago. Federal funds, however, account for about 1 percent less of total operating funds, while tuition and fee revenues account for roughly 2 percent more of total operating funds.

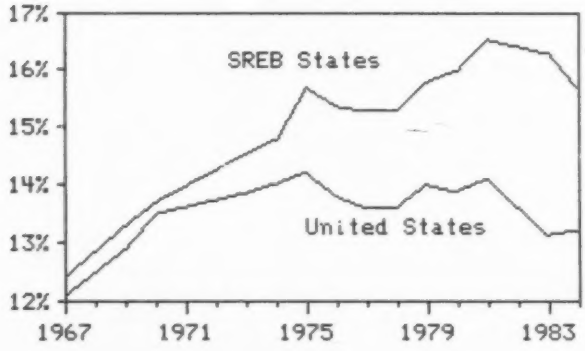
Twenty years ago the tuition and fees paid by a student attending a public university were 25 percent of the amount of state funds provided on a per student basis; in 1985, they were 26 percent.

It does not appear that higher education has relied too heavily on tuition revenues in an attempt to keep up with rising operating costs, although it has come to depend on them more. In the 1980s, state funds for higher education operating expenses decreased as a percent of total higher education revenues and as a percent of state tax revenues (Figure 8).

In short, over the past 20 years, the federal government has reduced its relative support to higher education; state governments and students and their families have maintained or increased their relative financial support of public higher education--states somewhat less than students. Yet the rising cost of providing higher education has been slightly more than the growth of revenues.

Figure 8

State Funds for Higher Education Operating Expenses
as a Percent of State Tax Revenues
Public Institutions, United States,
1967 to 1983



SOURCES: M. M. Chambers and Edward R. Hines, Appropriation of State Tax Funds for Operating Expenses of Higher Education; and U. S. Bureau of the Census, State Government Finances.

Tuition Policies in the SREB States

More states have turned to formal tuition policies as a means to assist them in making decisions about appropriate tuition and fee levels. In 1980, two-thirds of the states nationwide and three-fourths of the SREB states determined tuition in the historical pattern–tuition was set to generate all or most of the difference between what the institutions believed they needed and what state government appropriated. Now, half of the SREB states (Arkansas, Georgia, Kentucky, Louisiana, Oklahoma, South Carolina, Tennessee, and Virginia) have established and implemented formal policies or mechanisms to determine tuition and fees.

Three general methods are used, all sharing the idea that tuition and fees should be set in relation to some other indicator. This is often called an "indexing" or "benchmark" approach.

* Tuition is set in relation to an external yardstick, such as the Consumer Price Index (CPI) or per capita personal income.
* Tuition is set as a proportion of the costs of providing educational programs.
* Tuition is set in relation to a group of peer institutions.

One of the earliest index approaches to setting tuition and fees dates from 1972, when the Tennessee Higher Education Commission called for tuition increases that would not exceed the rate at which per capita personal income increased. In 1981, Tennessee revised its approach and explicity adopted an indexing policy that set tuition for resident undergraduate students at "30 to 35 percent of the state appropriations," amounting to approximately 25 percent of educational costs.

In 1976, Virginia adopted what was called the "70/30 Plan." Under this plan, the state's goal was that 30 percent of each institutions's "education and general (E&G) costs" come from tuition revenue. The initial plan was not sensitive to differences between in-state and out-of-state tuition and was revised for four-year institutions to a 25/75 plan: 25 percent of educational cost for Virginians and 75 percent for non-Virginians. A floor of 30 percent of total educational and general revenue and a cap of 40 percent were included. A similar plan, in which out-of-state students are to pay 100 percent of educational and general costs, has been adopted in the Virginia community college system.

In 1978, the Kentucky Council on Higher Education adopted a "benchmark" policy for higher education institutions. Peer groups of institutions were established for the state's four-year and two-year colleges. The plan was for tuition levels to gradually

approach the median tuition levels of the respective peer groups. The Council on Higher Education decided in 1981 that tuition rates should also take into account the ability of Kentucky residents to pay. The Council developed a policy for determining tuition that considers both per capita personal income and peer comparisons for the major types of colleges and universities in Kentucky. This policy has been in effect since 1982 and was reaffirmed in Kentucky's Strategic Plan for Higher Education (1985).

In 1981, Arkansas recommended that "the resident undergraduate student's portion of the cost of education (tuition) at four-year institutions should be set at a level approximately equal to 25 percent of the average cost of education but not to exceed 30 percent of the average cost of education for all four-year institutions."

The 1982 report of the Georgia Study Committee on Public Higher Education Finance recommended that "student tuition and matriculation fee income . . . should account for 25 percent of total General Operations revenue" in the budget for instruction for resident students. This policy was implemented with the stipulation that annual tuition increases not exceed 15 percent.

Also in 1982, the South Carolina Commission on Higher Education recommended "that there be established at each institution a range in the proportion (a minimum and a maximum percentage) of total Educational and General requirements that should be generated from student charges."

Florida adopted the principle of tuition indexing in 1976, but a formal policy was never implemented. In 1983, the Master Plan for Florida Postsecondary Education reiterated the principle of indexing adopted seven years earlier and a subsequent Senate Appropriations Committee study recommended that the legislature adopt ". . .some form of indexing policy. The specific index should be based on whether the legislature wants to relate student fees to the amount it provides (i.e., general revenue) or to some indicator of economic conditions and ability to pay (i.e., CPI)."

Another peer group method was adopted in the 1987 appropriations bill in Louisiana. This bill stipulates that all higher education institutions with non-resident fees below the SREB average for each respective type of institution must raise them to the SREB average. The Board of Regents adopted a companion policy that will reduce an institution's "continuing funds" in an amount equivalent to the revenue lost if an institution fails to meet this goal.

Also in 1987, the Oklahoma Board of Regents adopted a policy that higher education institutions should move to the middle nationally in funds for instruction and that tuition should approach a fixed percent of these costs.

Recent Developments

The rising cost of attending higher education institutions and the ensuing public concern has prompted states to consider tuition "prepayment" plans. Modeled after the plan passed by the Michigan legislature in 1986, these plans do nothing to contain rising tuition costs. Parents can purchase, with various limitations, their children's college education at current rates. The state invests these funds to cover the estimated rise in tuition costs by the time the children are ready to enter college. Six states, including Florida and Tennessee, passed bills for prepayment plans during their 1987 legislative sessions. Arkansas, Georgia, Louisiana, Maryland, North Carolina, South Carolina, Texas, Virginia, and West Virginia have such bills pending or under study. (The Michigan plan will not be implemented unless the Internal Revenue Service gives favorable tax status to contributions made under the plan.)

Several issues must be considered and are central to the success and viability of prepayment plans. Both states and families should ask:

* How will the Internal Revenue Service treat contributions to these plans?
* Who will make up the difference if the state's investments do not cover actual tuition increases--the state, the institution, or non-participating students?
* Will students be locked into a college or system of colleges that are not appropriate for their educational goals?
* Would efforts to establish prepayment plans be better spent at the national level?

If states decide to establish prepayment plans, they will have to answer the following:

* What types of institutions will be eligible to participate? Public and private? Two-year and four-year?
* Will insitutions be able to accurately forecast enrollments so that enough slots are available for <u>all</u> eligible students, not just those who have prepaid?
* Will enough parents participate in order to cover projected tuition increases and the administrative costs of the plan?

And, before enrolling in prepayment plans, parents should have answers to the following:

* What happens to the investment if the family moves, or if the child does not or cannot enroll in college?
* Are room and board costs also covered?
* Would other investments, such as the "dollar-a-day" plan shown in Table 5, yield similar results with a reduced risk?

Another response to the rising cost of attending college has been a growing concern in several SREB states about the fees students are required to pay in addition to tuition. In almost all cases, there is less monitoring and regulation of fees than there is of tuition. Typically, required fees are set by each individual institution and the revenues support non-academic student services, such as access to athletic events and concerts, vehicle registration, health services, student activities, bus services, and debt reduction for previous campus construction.

In Oklahoma, a group of university professors has urged the attorney general and state auditor to investigate the use of student fee revenues. And in Virginia, the State Council on Higher Education will study the escalation of mandatory fees charged for other than educational purposes, especially those charged for auxiliary enterprises and intercollegiate athletics. At some Virginia public universities, students pay as much for such fees as they do for tuition.

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Tuition and Fees in the SREB States: Trends and Issues

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